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SOME NUMBERS YOU SHOULD KNOW – MAKING SOLID IMPROVEMENT PLANS

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I'm eager to dive into the fourth and last article in this series. I have said countless times in my 27+ years with PBA—in previous articles and from the podium—that in the absence of good business data, one cannot make good business decisions. Another of my frequent sayings is that real progress is a process and not an event. Law firms that gain the greatest improvements do so not by taking giant leaps forward, but by continually taking baby steps in the right direction.

Since my last article, I had a slightly frustrated caller to the PBA Law Practice Management Hotline ask me, “But Ellen, how do I know when I’m headed in the right direction? How can I be sure what I’m doing is working?” The easy answer is that in most cases, you will compare your latest numbers to where you were when you started.

For PBA members, there is an even bigger answer. Keep in mind that this is an area where I can be especially helpful. And it costs you nothing, as a member, to reach out to me for assistance. We can discuss what you want to accomplish, map out a plan to get there using a variety of available strategies, and identify the information that will help you monitor your progress.

My long-term successful approach to managing businesses has been to think of each business as a living, breathing, unique entity entrusted to my care. My job (your job as a leader or owner, too) is to tend to its many needs. That’s not a one-and-done assignment. It’s a continual process of monitoring, planning, and purposeful tweaking of all vital systems to ensure healthy growth (financial wellbeing), happiness (cultural well-being and employee engagement) and a supportive environment (technology, security, knowledge management and marketing systems)

to create a resilient entity built to withstand unexpected events and inevitable challenges.

Now I need to segue for a minute. Mark this spot mentally, because we will come back to it. But first, let me lead you over here to another door for a peek. In this room you see an idea. You may see quite a few good ideas. Some glow brighter than others. Ideas are swirling around like different-sized seed pods, floating about on air currents uplifting and directing their tiny, attached hair-thin threads. Most of these ideas are swept away as dust when the air stills. Those that were brilliant, those that were half-baked, and the dark, sterile ones that would never have sprouted anyway are all the same dust.

Here's my point: Ideas are only brought to fruition when they become the basis of a plan. Ideas frequently emerge from the highly creative minds of attorneys. But the ideas are normally lost because no one makes a plan to turn them into action. That entails describing the goal(s). (Write them down!) It entails defining the incremental steps to reach the goals. Deciding who will do which steps and what resources will be required. Putting steps into stages if there are many, identifying who will be responsible for taking the baton at each phase and holding them accountable, while providing essential support, until the phase is completed and the baton is again handed off or the goal(s) achieved. It also means that anyone included in the process must properly block off the time on their calendar to get their part done.

Before I close the door to the idea room, just tuck away in the back of your mind this irrefutable fact: ideas are not the same as plans. (Prayers fall into the same category as ideas. Remember the punchline to the old joke, where God says to Job, "Hey, could you help me help you and at least *buy* a lottery ticket?") No matter how brilliant, an idea in and of itself provides no value at all. But that same idea, cultivated into a specific goal, with an action plan and time reserved for action steps, has a decent chance of success.

As we come back to where we left off, talking not just about your financial metrics, but rather the daily care and feeding of your firm and taking continual, small steps in the right direction, you are hopefully realizing that I'm advising you to create a strategic plan for whatever you want or need to improve.

Begin by giving yourself permission to seek out help from me or someone like me in order to save you time and aggravation and help you map out a well-vetted plan. It's not admitting you're not good enough to do it on your own; it's having the

strength to recognize that you don't know what you don't know. Take a deep breath and imagine reaching your goal(s). Strategic plans don't have to be big, hairy, unwieldy monsters. A lot of my best plans started on a cocktail napkin, never exceeded a full page of bullets and needed minimal outside help to accomplish.

I could give you dozens of examples. Let's start by staying in the financial lane, so that it's relevant to the past few articles. I'm imagining that you, a typical small or mid-size firm attorney who is struggling to balance client work and firm management, contacts me and says, "Ellen, thanks for this series of articles. I realize now that I have not been paying enough attention to our numbers. And I really do think we could be doing considerably better profit-wise. But I'm overwhelmed. There are so many reports that come my way every month. I can't find sufficient time to go through all that information and determine what I need to invest time in to improve. And numbers aren't really my strong suit. Where do I start?"

What I hear: "My goal is to significantly reduce the time it takes to regularly monitor my firm's key metrics, while expanding my understanding so that I learn to identify what requires action."

This is a relatively easy one. When it comes to financial management reporting, less is more. Most firms don't know what they should look at, so they run far too many detailed reports. So, we will discuss your practice areas, client demographics, management structure and owner compensation system. We'll look at what management-only reports you're churning out now and how helpful each has been. Going through this exercise will help us identify the most important business data at your firm. This process will conclude with replacing a lot of the previous reports with a one-page report that includes all or the majority of your firm's key metrics, current month and year-to-date, and the prior year's current month and year-to-date numbers for comparison.

For some firms, this may transform a 12 – 24" stack of monthly paper reports into a single one-sided, one-page report. For others, it will be the first time all the essential numbers have been compiled in one place for review or reviewed at all.

Your remaining reports are "exception" reports, e.g. only the WIP/prebills for clients for whom work has been performed in the past month, whose unbilled time is over \$X, whose unbilled costs are over \$X or who have not been billed (on active hourly matters) for 90 days or more. For contingent matters, it may be only matters where costs advanced exceed \$X or time invested exceeds \$X.

Accounts receivable should only show details for outstanding invoices that are 60 or 90 or more days old, or over a certain dollar value. (Disregard this if you do not yet have a solid receivable management system in place.)

When this goal is achieved, the numbers which require attention literally start to pop off the page. When you have less to look at, the obvious is easier to spot.

Then you move onto additional plans. Maybe one to improve your receivable turnover rate. Or implement a rate increase. Or improve your firm's profit margin. Or identify and implement flat fee billing in a practice area. Each plan will contain small achievable steps in the right direction. Changes will be measurable, because goals will be clearly defined.

I hope you've picked up a few tasty nuggets to chew on from this series of articles. PBA members are encouraged to reach out to me for assistance in this or any other skill area of law firm practice management.

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